



## **TALBROS ENGINEERING LIMITED**

**CIN: L74210HR1986PLC033018**

**Regd. Office: Plot No. 74-75-76, Sector-6, Faridabad, Haryana – 121006**

**Telephone: +91-129-4284300, Fax: +91-129-4061541**

**Email: [cs@talbrosaxles.com](mailto:cs@talbrosaxles.com), Website: [www.talbrosaxles.com](http://www.talbrosaxles.com)**

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### **RELATED PARTY TRANSACTIONS POLICY**

#### **SCOPE AND PURPOSE**

The Board of Directors “The Board” of Talbros Engineering Limited (“The Company” or “TEL”) has adopted and formulated the guidelines, policy and procedure with regard to identification of related parties and transactions with them pursuant to the provisions of Companies Act, 2013 (“Act”) and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulations”) (including any statutory modification(s) or re-enactment(s) thereof).

In terms of SEBI Regulations, the Company is required to formulate a policy on materiality of related party transactions and dealing with related party transactions.

The Board of Directors has adopted and approved this policy in their meeting held on 07<sup>th</sup> February, 2019, based on the recommendations of Audit Committee. This policy will be applicable to the Company with effect from 01<sup>st</sup> April, 2019. The Audit Committee will review and may amend this policy, as and when required from time to time.

The object of this policy is to set out the materiality thresholds for Related Party Transactions and the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulations and any other law as may be applicable to the Company.

#### **DEFINITIONS**

**“Audit Committee or Committee”** means the Audit Committee of the Board of Directors of the Company.

**“Board”** means Board of Directors of the Company.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011.

**“Related Party Transaction”** is a transfer of any resources, services or obligations between the Company and a related party, regardless of whether a price is charged. (A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract).



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**“Related Party”** means an entity, if:

- (i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) Such entity is a related party under the applicable accounting standard.

Under Section 2(76) of the Companies Act, 2013 “Related Party”, with reference to a company, means—

- a) a director or his relative;
- b) a key managerial personnel or his relative;
- c) a firm, in which a director, manager or his relative is a partner;
- d) a private company in which a director or manager is a member or director;
- e) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- f) any body corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- g) any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- h) any company which is—

- i. a holding, subsidiary or an associate company of such company; or
- ii. a subsidiary of a holding company to which it is also a subsidiary;
- iii. such other person as may be prescribed.

Under Accounting Standard a “Related Party” is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’). (a) A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.



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(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

**“Arm’s Length Basis”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining of Arm/s Length Basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

**“Relatives”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another,

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other person as:
  - (a) Father (including step-father)
  - (b) Mother (including step-mother)
  - (c) Son (including step-son)
  - (d) Son's wife
  - (e) Daughter
  - (f) Daughter's husband
  - (g) Brother (including step-brother)
  - (h) Sister (including step-sister)



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### **MATERIALITY THRESHOLDS**

Regulation 23 of SEBI Listing Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof) requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. 'TEL' has fixed its materiality threshold at ten percent of the annual consolidated turnover of the company as per last audited financial statements of the company.

### **MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

#### **Identification**

Each Director or Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her as his or her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee / Board has adequate time to obtain and review information about the proposed transaction.

#### **Procedure for approval**

##### **1. Audit Committee**

All the transactions which are identified by the Audit Committee as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Company Secretary shall place the details of all related party transactions in the subsequent meeting of the Audit Committee. The Audit Committee shall consider the following factors while deliberating the related party transactions for its approval:

- (i) Name of party and details explaining nature of relationship
- (ii) Nature of transaction and material terms thereof including the value, if any;
- (iii) The manner of determining the pricing to ascertain whether the same is on arm's length
- (iv) Business rationale for entering into such transaction

Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction. If the



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committee determines that a related party transaction is a material related party transaction or transact is not in the ordinary course of business or not at the arm's length price, the Audit Committee shall place the matter before the board for obtaining its approval.

### **2. Board Of Directors**

Where approval of Board of Directors is required for any related party transaction or of the Board in any case elects to reviews any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Any member of the Board who has any interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

### **3. Shareholder Approval**

In case Board refers a related party transaction for seeking approval of the shareholders as per the provisions of Companies Act, 2013 or SEBI regulations, if any member of Company is a related party as per this policy, such member of the Company shall not vote on resolution passed for approving such related party transaction.

### **4. Transactions which do not require approval**

The following Related Party Transactions shall not require approval of Audit Committee:

- a. Any transaction involving the providing of compensation to a Director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expense incurred in the ordinary course of business.
- b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits on pro rata basis as the Related Party.

## **DISCLOSURES**

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction. In addition to the above, the Company shall also provide



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details of all related party transactions meeting the materiality threshold, in accordance with the SEBI Regulations.

The Company shall also disclose this policy on its website.

### **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THE POLICY**

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

### **AMENDMENTS IN LAW**

Any subsequent amendment / modification in the SEBI Regulations or Companies Act and /or any other applicable laws in this regard shall automatically apply to this policy.